

TOWN OF WEST SILOAM SPRINGS

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED
JUNE 30, 2014

TOWN OF WEST SILOAM SPRINGS

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LANGLEY & LITTLEFIELD, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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918-803-4868 OFFICE

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council
Town of West Siloam Springs
Colcord, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of West Siloam Springs, State of Oklahoma ("the Town"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with Government Auditing Standards, we have also issued our report dated December 8, 2014 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town's internal control over financial reporting and compliance.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Langley & Littlefield, PLLC", is written over a light blue circular stamp.

LANGLEY & LITTLEFIELD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
PYROR, OKLAHOMA

December 8, 2014

TOWN OF WEST SILOAM SPRINGS
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets			
Cash, including time deposits	\$ 434,777	\$ 546,634	\$ 981,411
Taxes receivable	40,003	11,101	51,104
Receivable from other funds	5,000	-	5,000
Accounts receivable, net	-	69,151	69,151
Total current assets	479,780	626,886	1,106,666
Noncurrent assets			
Restricted cash, utility deposits	-	26,924	26,924
Capital assets, net of accumulated depreciation	422,417	2,083,841	2,506,258
Total noncurrent assets	422,417	2,110,765	2,533,182
Total assets	902,197	2,737,651	3,639,848
Liabilities			
Current liabilities			
Accounts payable	57,230	46,930	104,160
Accrued wages and taxes	12,606	4,005	16,611
Due to other funds	5,000	-	5,000
Total current liabilities	74,836	50,935	125,771
Noncurrent liabilities			
Utility deposits	-	26,924	26,924
Total noncurrent liabilities	-	26,924	26,924
Total liabilities	74,836	77,859	152,695
Net assets			
Invested in capital assets, net of related debt	422,417	2,083,841	2,506,258
Restricted	106,869	-	106,869
Unrestricted	298,075	575,951	874,026
Total net assets	\$ 827,361	\$ 2,659,792	\$ 3,487,153

TOWN OF WEST SILOAM SPRINGS
STATEMENT OF ACTIVITIES
JUNE 30, 2014

	Expenses	Program Revenues			Governmental Activities	Business-Type Activities	Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions			
Governmental activities							
General government							
Administrative, accounting, and council	\$ 446,452	\$ 76	\$ -	\$ 289,362	\$ (157,014)		\$ (157,014)
Streets	49,235	0	-	0	(49,235)		(49,235)
Total general government	<u>495,688</u>	<u>76</u>	<u>-</u>	<u>289,362</u>	<u>(206,250)</u>		<u>(206,249)</u>
Public safety and judiciary							
Police	662,147	-	-	-	(662,147)		(662,147)
EMS	238,510	144,000	-	-	(94,510)		(94,510)
Drug/Dog	1,399	50	-	-	(1,349)		(1,349)
Total public safety and judiciary	<u>902,056</u>	<u>144,050</u>	<u>-</u>	<u>-</u>	<u>(758,006)</u>		<u>(758,006)</u>
Culture, parks and recreation							
Parks	748	-	-	-	(748)		(748)
Total culture, parks and recreation	<u>748</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(748)</u>		<u>(748)</u>
Total governmental activities	<u>1,398,491</u>	<u>144,126</u>	<u>-</u>	<u>289,362</u>	<u>(965,003)</u>		<u>(965,003)</u>
Business-type activities:							
Water	477,278	445,017	-	734,429		702,167	702,167
Sewer	227,968	221,557	-	8,585		2,174	2,174
Total business-type activities	<u>705,246</u>	<u>666,573</u>	<u>-</u>	<u>743,014</u>		<u>704,341</u>	<u>704,341</u>
Total	<u>\$ 2,103,737</u>	<u>\$ 810,699</u>	<u>\$ -</u>	<u>\$ 1,032,376</u>	<u>\$ (965,003)</u>	<u>\$ 704,341</u>	<u>\$ (260,662)</u>

TOWN OF WEST SILOAM SPRINGS
STATEMENT OF ACTIVITIES (CONT)
JUNE 30, 2014

Net (expense)/revenue			
General revenues	\$ (965,003)	\$ 704,341	\$ (260,662)
Taxes			
Sales and use	219,377	80,547	299,924
Franchise	12,858	-	12,858
Hotel	31,181	-	31,181
Alcohol	10,330	-	10,330
Cigarette	3,527	-	3,527
Vehicle	6,496	-	6,496
Gasoline	1,536	-	1,536
Fines and forfeitures	562,242	-	562,242
Licenses and permits	6,435	-	6,435
Miscellaneous	23,141	1,051	24,192
Transfers	(72,924)	72,924	-
Gain on sale of assets	-	-	-
Total general revenues and transfers	<u>804,199</u>	<u>154,522</u>	<u>958,721</u>
 Change in net assets	 (160,804)	 858,863	 698,059
 Net assets, beginning	 <u>988,164</u>	 <u>1,800,930</u>	 <u>2,789,094</u>
Net assets, ending	<u>\$ 827,361</u>	<u>\$ 2,659,792</u>	<u>\$ 3,487,153</u>

TOWN OF WEST SILOAM SPRINGS
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	EMS Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash, including time deposits	\$ 143,915	\$ 183,994	\$ 106,868	\$ 434,777
Taxes receivable	28,287	11,101	-	39,388
Due from other funds	-	5,000	-	5,000
Returned checks	615	-	-	615
Total assets	<u>172,817</u>	<u>200,094</u>	<u>106,868</u>	<u>479,779</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	38,855	18,375	-	57,230
Due to other funds	5,000	-	-	5,000
Accrued expenses	12,607	-	-	12,607
Total liabilities	<u>56,462</u>	<u>18,375</u>	<u>-</u>	<u>74,837</u>
Fund balances				
Nonspendable	-	-	-	-
Restricted	-	-	106,869	106,869
Committed	-	-	-	-
Assigned	-	181,720	-	181,720
Unassigned	116,355	-	-	116,355
Total fund balances	<u>116,355</u>	<u>181,720</u>	<u>106,869</u>	<u>404,945</u>
Total liabilities and fund balances	<u>172,817</u>	<u>200,095</u>	<u>106,869</u>	<u>479,782</u>

Total fund balance, governmental funds \$ 404,945

Amounts reported for governmental activities in the statement of
net assets are different because:

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported in the funds. 422,416

Net assets of governmental activities in the Statement of Net Position \$ 827,361

TOWN OF WEST SILOAM SPRINGS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	EMS Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Sales and use tax	\$ 138,830	\$ 80,547	\$ -	\$ 219,377
Franchise fees	12,858	-	-	12,858
Commercial vehicle tax	6,496	-	-	6,496
Alcohol and cigarette tax	13,857	-	-	13,857
Gasoline tax	1,536	-	-	1,536
Hotel tax	31,181	-	-	31,181
Fines and fees	562,242	-	-	562,242
Grants	73,624	-	40,000	113,624
CNE EMS Income	-	144,000	-	144,000
Charges for services	76	-	-	76
Other reimbursements	175,738	-	-	175,738
Capital contributions	-	-	-	-
Licenses and permits	6,435	-	50	6,485
Proceeds from the sale of assets	-	-	-	-
Miscellaneous	22,544	-	497	23,041
Total revenues	1,045,417	224,547	40,547	1,310,511
Expenditures				
Current				
General government				
Administrative and accounting	352,288	-	9	352,297
Public safety (Police, Fire)	662,147	238,510	383	901,040
Water, sewer, streets	14,887	-	-	14,887
Culture and recreation	1,007	-	748	1,755
Capital outlay	110,165	-	18,348	128,513
Total expenditures	1,140,494	238,510	19,488	1,398,492
Excess (deficiency) of revenues over expenditures	(95,077)	(13,963)	21,059	(87,981)
Other financing sources (uses)				
Transfers (net)	(72,824)	-	-	(72,824)
Net change in fund balances	(167,901)	(13,963)	21,059	(160,805)
Fund balances - beginning	284,256	195,683	85,810	565,749
Fund balances - ending	\$ 116,355	\$ 181,720	\$ 106,869	\$ 404,945

TOWN OF WEST SILOAM SPRINGS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2014

Net change in fund balances – total governmental funds	\$ (160,805)
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as an expense. The outlay is allocated over the assets estimated useful lives as depreciation expense for the period. This is the amount that depreciation in the current period exceeds the current capital outlays.	(31,334)
Repayment of debt principal is an expenditure in the governmental fund, but the repayment reduces long term liabilities in the Statement of Net Position	<u>31,335</u>
Change in net assets	<u><u>\$ (160,804)</u></u>

TOWN OF WEST SILOAM SPRINGS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
 JUNE 30, 2014

	<u>Public Works Authority</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 546,634
Accounts receivable - customers	69,151
Taxes receivable	<u>11,101</u>
Total current assets	<u>626,886</u>
Noncurrent assets	
Restricted cash, utility deposits	26,924
Capital assets, net of accumulated depreciation	<u>2,083,841</u>
Total noncurrent assets	<u>2,110,765</u>
Total assets	<u><u>2,737,651</u></u>
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	46,930
Accrued wages	<u>4,005</u>
Total current liabilities	50,935
Noncurrent liabilities	
Customer deposits	<u>26,924</u>
Total liabilities	<u><u>77,859</u></u>
Net position	
Invested in capital assets, net of related debt	2,083,841
Unrestricted	<u>575,951</u>
Total net position	<u><u>\$ 2,659,792</u></u>

TOWN OF WEST SILOAM SPRINGS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2014

	<u>Public Works Authority</u>
Operating revenues	
Charges for services	
Water (net of refunds/adjustments)	\$ 418,759
Sewer	247,814
Miscellaneous	1,051
Total operating revenues	<u>667,624</u>
Operating expenses	
Depreciation	58,966
Insurance and bonds	53,249
Legal and professional fees	28,223
Licenses and permits	1,497
Materials and supplies	41,462
Miscellaneous	1,759
Purchased sewer	119,840
Purchased water	271,598
Repairs and maintenance	794
Salaries and benefits	106,024
Travel and training	1,117
Uniforms	4,095
Utilities	12,728
Water testing	3,897
Total operating expenses	<u>705,246</u>
Net operating income (loss)	<u>(37,622)</u>
Nonoperating revenues (expenses)	
Designated sales tax	80,547
Cherokee Nation grants	743,014
Total nonoperating revenues (expenses)	<u>823,560</u>
Other financing sources (uses)	
Transfers (net)	<u>72,924</u>
Change in net assets	858,862
Net assets, beginning	<u>1,800,930</u>
Net assets, ending	<u><u>\$ 2,659,792</u></u>

TOWN OF WEST SILOAM SPRINGS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
JUNE 30, 2014

	Public Works Authority
Cash flows from operating activities	
Receipts from customers	\$ 684,632
Payments to suppliers	(645,955)
Net cash provided (used) by operating activities	<u>38,677</u>
Cash flows from capital and related financing activities	
Designated sales tax	80,547
Capital grants	743,014
(Acquisition) disposition of capital assets	(726,459)
Net cash provided (used) by capital and related financing activities	<u>97,101</u>
Cash flows from non capital related financing activities	
Interfund transfers in	<u>72,924</u>
Net increase (decrease) in cash and cash equivalents	<u>208,701</u>
Cash and cash equivalents, beginning	<u>364,857</u>
Cash and cash equivalents, ending	<u><u>\$ 573,558</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Net operating income (loss)	(37,622)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation and amortization	58,966
Change in assets and liabilities	
(Increase) decrease in receivables	17,008
Increase (decrease) in accounts payable	11,624
Increase (decrease) in customer deposits	(11,299)
Net cash provided (used) by operating activities	<u><u>\$ 38,677</u></u>

Note 1 - Summary of significant accounting policies

A. Reporting entity

The Town of West Siloam Springs, Oklahoma ("the Town") was organized under the statutes of the State of Oklahoma. The Town operates under a town form of government and is governed by a five member board of trustees. The trustees elect the mayor from their own body. The Town provides the following services: general government, public safety (fire and police), streets, public works (water, sewer, trash and animal control), judicial, public improvements, and planning and zoning for the geographical area organized as the Town of West Siloam Springs, Oklahoma.

As required by generally accepted accounting principles, these financial statements present the activities of the Town and its component units, entities for which the Town is considered financially accountable. Blended component units, although legally separate entities are, in substance, part of the Town's operations and so data from these units are combined with the data of the primary government.

Component units - Component units are organizations that are legally separate from the primary government for which the elected officials are financially accountable. The West Siloam Springs Public Works Authority (PWA) was created pursuant to a Trust Indenture to acquire, construct, lease and operate the water and sewer facilities for the benefit of the Town. The PWA is empowered to incur debt for the purposes stated above. The water and sewer systems owned by the Town have been leased to the PWA. The PWA is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes Board. The PWA is exempt from State and Federal income taxes. The PWA meets the definition of a component unit as defined in GASB No. 14 whose activities have been included with those of the proprietary funds for financial statement reporting.

B. Government-wide financial statements

The statement of net assets and the statement of activities include information about the Town as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities. Governmental activities are generally financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

C. Fund financial statements

The Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of government and enterprise fund financial statements is on major funds. If applicable, each major fund is presented in a separate column.

Note 1 - Summary of significant accounting policies (continued)

D. Measurement focus

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

On the government-wide Statement of Net Assets and the Statement of Activities both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a) All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spend-able financial resources during a given period. These funds use fund balance as their measure of available spend-able financial resources at the end of the period.
- b) The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net assets.

E. Basis of accounting

The Town presents its general fund and non-major fund financial statements on the modified cash basis of accounting. The modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Under the modified accrual basis of accounting, revenues are recognized when they are measurable and available. The Town presents its proprietary fund financial statements on the accrual basis of accounting. Under the accrual basis of accounting, transactions are recorded when they occur, irrespective of when actual cash is received or paid.

The Town's general fund includes general government activities, public safety activities, utility activities, and capital outlay.

The Town's non-major general fund includes the Subsidy Pool Fund, the Drug Free Fund, the Dog Pound Fund, the Park Fund, and the EMS Fund.

The Town's proprietary funds, the West Siloam Springs Public Works Authority (PWA) financial statements include water and sewer.

The Town does not have any fiduciary activities or internal service funds.

The financial statements have been prepared in accordance with relevant Governmental Accounting Standards Board (GASB) pronouncements.

Note 1 - Summary of significant accounting policies (continued)

F. Fund Accounting

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are two categories of funds: governmental and proprietary.

Governmental Funds – Governmental Funds are used to account for the Town's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenue, and expenditures/expenses when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenue and certain liabilities and their related expenses are not recorded in these financial statements.

The following are the Town's major funds:

- General Fund – The General Fund is the general operating fund of the Town. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- Special Revenue Funds – Special Revenue Funds account for revenue sources that are either legally restricted to expenditures for specific purposes or designated to finance particular functions of the Town.

The reporting entity includes the following Special Revenue Funds:

<u>Fund</u>	<u>Brief Description</u>
EMS Fund	Accounts for sales tax revenue received that are designated for voter approved purposes.

Enterprise Funds (Proprietary Funds) – Enterprise Funds are accounted for using the accrual basis of accounting. Under this method, revenues and expenses are recorded when they result from cash transactions. These funds are used to account for those operations that are financed and operated in a manner similar to private business where the intent of the governing body is for the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for capital maintenance, public policy or management accountability.

Note 1 - Summary of significant accounting policies (continued)

F. Fund Accounting

West Siloam Springs Public Works Authority (PWA) – The West Siloam Springs Public Works Authority accounts for the operations of providing water works (water, sewer, trash and animal control) to the Town residents.

G. Capital assets

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements - In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation.

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. All current year infrastructure additions have been recorded at actual cost. The Town is not required to account for infrastructure assets acquired prior to July 1, 2003. Governmental fund infrastructure assets have not been recorded for the period prior to July 1, 2003.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Other improvements	20 years
Machinery, furniture and equipment	7 years
Utility property and improvements	40 years
Vehicles	5 years

Fund Financial Statements - In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Note 1 - Summary of significant accounting policies (continued)

H. Assets, liabilities and net assets or equity

Deposits and Investments - Oklahoma Statutes authorize the Town to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the Town can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

For financial statement presentation and for purposes of the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with a maturity date of three months or less. Debt instruments with a maturity date of more than three months are considered to be investments. Investments are stated at their fair market value.

Restricted Cash - Certain funds are restricted for West Siloam Springs Public Works Authority customer deposit refunds.

Fair Value of Financial Instruments - The Town's financial instruments include cash and cash equivalents, and certain liabilities. The Town's estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial statements approximates fair value because of the short maturity of these instruments.

Estimates - The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) used by the Town requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Receivables and Payables - Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from other/due to other funds." The Town considers receivables collected within 60 days after year end to be available and recognize them as revenues of the current year.

Compensated Absences - It is the Town's policy to permit employees to accumulate earned but unused vacation time. Full-time employees who have been employed continuously for at least one year are granted vacation benefits in varying amounts to specified maximums depending on the tenure with the Town. The Town has not accrued compensated absences because the amount, if any, would not be material to the financial statements.

Long-Term Obligations - The accounting and reporting treatment applied to long-term liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are included on their balance sheets. Their reported fund balance (net of current assets) is considered a measure of "available spendable resources."

Note 1 - Summary of significant accounting policies (continued)

H. Assets, liabilities and net assets or equity

Governmental fund operating statement present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Therefore, long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

Equity Classifications

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

- a) Invested in capital assets, net of related debt consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted net assets - consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- c) Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

Inter-fund Transactions - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursement to a fund or expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed.

All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers.

TOWN OF WEST SILOAM SPRINGS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

Note 2 – Cash and investments

The Town's investment policies are governed by state statute. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations, and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Cash and certificates of deposit held by the town are fully covered.

Custodial Credit Risk - All of the Town's deposits at financial institutions were covered by either FDIC insurance or collateralized.

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's investment policy limits the Town's investment portfolio to maturities of not more than two years.

Note 3 – Property and equipment

Capital Asset Activity - Governmental Type

Capital asset activity for governmental type activities for the year ended June 30, 2014 was as follows:

	6/30/2013	Additions	Disposals	6/30/2014
Land	\$ 5,000	\$ 90,665	\$ -	\$ 95,665
Buildings	267,082	-	-	267,082
Equipment	161,248	39,848	-	201,096
Vehicles	245,628	35,989	-	281,617
Infrastructure	1,105,000	-	-	1,105,000
Total Property, Plant, and Equipment	1,783,958	166,502	-	1,950,460
Accumulated Depreciation	(1,361,540)	(112,949)	-	(1,474,489)
Net book value	<u>\$ 422,418</u>	<u>\$ 53,553</u>	<u>\$ -</u>	<u>\$ 475,971</u>

Capital Asset Activity - Business Type

Capital asset activity for business type activities for the year ended June 30, 2014 was as follows:

Capital Asset Activity - Business Type

	6/30/2013	Additions	Disposals	6/30/2014
Land	\$ -	\$ 1,000	\$ -	\$ 1,000
Equipment	135,353	6,213	-	141,566
Vehicles	93,875	-	-	93,875
Infrastructure	1,638,805	-	-	1,638,805
Construction in Process	147,697	719,247	-	866,944
Total	2,015,730	726,460	-	2,742,190
Accumulated Depreciation	(599,385)	(58,966)	-	(658,350)
Net book value	<u>\$ 1,416,345</u>	<u>\$ 667,494</u>	<u>\$ -</u>	<u>\$ 2,083,840</u>

Note 3 – Property and equipment (continued)

The Town's fixed assets are stated at cost. Depreciation is computed using the straight line method over the estimated useful life, which is; forty years for the water system, between seven and forty years for the lift station, and between five and seven years for office furniture and equipment. Expenditures for major renewals and betterments which extend the useful life of the fixed assets are capitalized Expenditures for maintenance and repairs are expensed as incurred.

Depreciation charges

Depreciation expense by functional category for the governmental type funds was as follows:

Functional Category	Amount
General Government	\$ 15,014
Police	67,340
Street	30,595
Total	<u>\$ 112,949</u>

Note 4 – Restricted assets

Utility Deposit – The reserve for utility deposits represents deposits for utilities by customers and is not refunded until the customer is no longer receiving utilities from the Public Works Authority, as required by statute. As of June 30, 2014, this fund had an excess of \$14,349 over the utility deposits outstanding.

Note 5 – Subsequent events

Management has evaluated and disclosed subsequent events up to the date of the audit report.

TOWN OF WEST SILOAM SPRINGS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedules – Governmental Activities
- Budgetary Comparison Schedules – Business-type Activities

TOWN OF WEST SILOAM SPRINGS
BUDGETARY COMPARISON SCHEDULE – GOVERNMENTAL ACTIVITIES
JUNE 30, 2014

	Original Budget	Final Budget	Actual	Variance
GOVERNMENTAL ACTIVITIES				
Fund balance - beginning	\$ 530,987	\$ 530,987	\$ 565,749	\$ (14,612)
REVENUES				
Sales and use tax	478,000	478,000	219,377	(258,623)
Franchise fees	11,000	11,000	12,858	1,858
Commercial vehicle tax	5,000	5,000	6,496	1,496
Alcohol and cigarette tax	16,000	16,000	13,857	(2,143)
Gasoline tax	2,000	2,000	1,536	(464)
Hotel tax	28,000	28,000	31,181	3,181
Fines and fees	650,000	650,000	562,242	(87,758)
Grants	-	-	113,624	113,624
CNE EMS Income	132,000	132,000	144,000	12,000
Charges for services	-	-	76	76
Other reimbursements	103,000	103,000	175,738	72,738
Capital contributions	105,000	105,000	-	(105,000)
Licenses and permits	5,600	5,600	6,485	885
Proceeds from sale of assets	22,000	22,000	-	(22,000)
Miscellaneous	(600)	(600)	23,041	23,641
Total revenues	1,557,000	1,557,000	1,310,511	(246,489)
EXPENDITURES				
Current				
General government				
Administrative and accounting	125,200	125,200	352,297	227,097
Public safety (Police, Fire)	1,134,191	1,134,191	901,040	(233,151)
Water, sewer, streets	20,000	20,000	14,887	(5,113)
Culture and recreation	2,330	2,330	1,755	(575)
Debt Service	130	130	-	(130)
Capital outlay	166,500	166,500	128,513	(37,987)
Total expenditures	1,448,351	1,448,351	1,398,492	(49,859)
Excess (deficiency) of revenues over expenditures	108,649	108,649	(87,981)	(196,630)
Other financing sources (uses)				
Transfers (net)	(212,500)	(212,500)	(72,824)	139,676
Net change in fund balances	(103,851)	(103,851)	(160,805)	(56,954)
Ending Budgetary Fund Balance			\$ 404,945	

TOWN OF WEST SILOAM SPRINGS
BUDGETARY COMPARISON SCHEDULE – BUSINESS-TYPE ACTIVITIES
JUNE 30, 2014

	Original Budget	Final Budget	Actual	Variance
BUSINESS-TYPE ACTIVITIES				
Net Assets, beginning	\$ 345,377	\$ 345,377	\$ 1,800,930	\$ 1,455,553
REVENUES				
Water (net of refunds/adjustments)	418,760	418,760	418,759	(1)
Sewer	218,400	218,400	247,814	29,414
Designated sales tax	90,000	90,000	80,547	(9,453)
Cherokee Nation Grants	-	-	743,014	743,014
Miscellaneous	100	100	1,051	951
Total revenues	<u>727,260</u>	<u>727,260</u>	<u>1,491,185</u>	<u>763,925</u>
EXPENSES				
Depreciation	-	-	58,966	58,966
Insurance and bonds	39,400	39,400	53,249	13,849
Legal and professional fees	16,200	16,200	28,223	12,023
Licenses and permits	3,000	3,000	1,497	(1,503)
Materials and supplies	57,800	57,800	41,462	(16,338)
Miscellaneous	1,500	1,500	1,759	259
Purchased sewer	118,560	118,560	119,840	1,280
Purchased water	280,800	280,800	271,598	(9,202)
Repairs and maintenance	14,700	14,700	794	(13,906)
Salaries and benefits	112,681	112,681	106,024	(6,657)
Travel and training	1,700	1,700	1,117	(583)
Uniforms	4,000	4,000	4,095	95
Utilities	10,400	10,400	12,728	2,328
Water testing	3,400	3,400	3,897	497
Total expenses	<u>664,141</u>	<u>664,141</u>	<u>705,249</u>	<u>41,108</u>
Net income (loss)	<u>63,119</u>	<u>63,119</u>	<u>785,936</u>	<u>722,817</u>
Other financing sources (uses)				
Transfers (net)	<u>-</u>	<u>-</u>	<u>72,924</u>	<u>72,924</u>
Change in net assets	<u>63,119</u>	<u>63,119</u>	<u>858,863</u>	<u>795,741</u>
Net assets, ending			<u><u>\$ 2,659,792</u></u>	

LANGLEY & LITTLEFIELD, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

6757 N 431, PRYOR, OK 74361

918-803-4868 OFFICE

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Town Council
Town of West Siloam Springs
Colcord, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of West Siloam Springs, State of Oklahoma ("the Town"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 8, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

Very truly yours,

A handwritten signature in cursive script that reads "Langley & Littlefield, LLC". The signature is written in dark ink and is positioned above the printed name of the firm.

LANGLEY & LITTLEFIELD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
PRYOR, OKLAHOMA

December 8, 2014

LANGLEY & LITTLEFIELD, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

6757 N 431, PRYOR, OK 74361

918-803-4868 OFFICE

SCHEDULE OF FINDINGS AND RESPONSES

2014-1 Previous Audit Findings

Criteria or specific requirement: Municipal entities are subject to reporting requirements pertaining to the entities internal control over financial reporting and on compliance and other matters as required by Governmental Audit Standards (the Yellowbook). Internal control related findings are reported on and included in the fiscal audit of a municipalities annual audit report. Reported internal control findings are required to include the response of management regarding the finding, and subsequent updates on those findings, until resolved, in subsequently issued audited financial statements.

Condition: The Town received a finding for fiscal year end June 30, 2013 that addressed to management matters that were found to be deficient and/or lacking by required standards. These issues were not addressed partially or completely; therefore, requiring further recommendations to management regarding proper and/or sufficient correction.

Context: The June 30, 2013 audit included a finding titled, "Accounting Policies, Financial Reporting, and Independence" which addressed and provided the necessary recommendations for corrective actions. These recommendations were made to provide a resolution(s) for any deficiencies found to fall within those areas and/or categories.

Effect: Established and effective internal controls require continuous monitoring and evaluation as a lack of oversight can result in internal controls that are deficient and/or significantly lacking in nature. Ineffective internal controls present a direct, and sometimes material, effect on the financial report of the Town and its resources; therefore, an objective and detailed assessment of risk is conducted for assurance. This cannot be successfully and accurately done unless the auditor is independent to the client. If a risk assessment results in the realization that internal controls are in fact deficient and/or lacking, then steps of a corrective nature must be taken to ensure the protection and accurate reporting of the Town's resources, and those steps are recommended as applicable to specific situations. Presenting financial information that is materially incorrect can likely result in negative effects/impacts on the financial activities of the Town, such as loan status, grant awards, and any other possible occurrences of a similar nature.

2014-1 Previous Audit Findings (cont)

Cause: At the conclusion of the June 30, 2014, it was found that the Town's attempts to provide the recommended corrective actions were not found to be sufficient. It is not evident that the finding was addressed as specifically recommended; therefore, requiring that we inform those charged with governance that the corrective actions taken did not provide a complete resolution to the finding. The finding is considered "unresolved" at this time as the current year's audit found similar internal control deficiencies, as indicated as follows but not intended as an inclusive list of deficiencies occurring:

- improper booking of receivables and/or accruals for municipal revenues
- inefficient monitoring of utility deposits held and reported as a liability
- inefficient monitoring of amounts held in bank for restricted utility deposits; reconciliation and maintenance of liability when compared to:
 - the utility system
 - the book balance
 - the cash held for restriction
- failure to ensure all fund transfers are balanced through proper and timely reconciliation of all funds individually as well as a whole

Such deficiencies in internal control create a situation in which an auditor's independence can become threatened if the extent of the auditor's involvement impairs an auditor's objectivity.

Recommendation: As previously recommended, the Town should implement an action plan with their current outside accounting professional to address the issues as described above. In addition, management and those charged with governance should take the necessary steps to implement, monitor, and evaluate the results of policies and procedures necessary to address and resolve the previously reported internal control findings.

Views of responsible officials and planned corrective actions: We understand and accept responsibility for the corrections needed to satisfy the above findings.

2014-2 Municipality Law Enforcement Revenues, Compliance with Statutes

Criteria or specific requirement: As a municipality, the Town is governed by Oklahoma Statutes.

Condition: The Town is required to comply with Oklahoma Statutes governing the receipt of revenues as they relate to traffic-related enforcement practices of a municipal law enforcement agency. 47 O.S. §2-117 (E) (2)

Context: Oklahoma Statutes govern that revenues incurring from municipality law enforcement activities do not exceed fifty percent (50%) of the overall revenues needed for the operation of the municipality, or the General Fund.

Effect: Certain state and local authorities in whose jurisdiction the municipality is located, may request an investigation of the traffic-related enforcement practices as well as the receipts and expenditures of the Town's municipal law enforcement agency.

Cause: The Town received revenues from traffic-related enforcement practices in excess of 40% of the revenues needed to operate the Town.

Recommendation: The should adopt an action plan that provides for the Town Board of Trustees to receive a special report from the Town Treasurer in the event that traffic-related enforcement practices result in revenues in any fiscal year quarter that exceed 50% of the revenues needed for operation of the Town.

Views of responsible officials and planned corrective actions: We understand and accept responsibility for compliance with the provisions of 47 O.S. §2-117 (E) (2). The Town Treasurer will issue a report(s) in the event that traffic-related enforcement practices result in revenues in any fiscal year quarter that exceed 50% of the revenue needed for operation of the Town.

As revised from 2013 original reporting:

2013-1 Accounting Policies, Financial Reporting, and Independence

Criteria or specific requirement: Governmental Auditing Standards (GAS, aka “The Yellow Book”) is specific as to requirements regarding independence of auditors providing attestation services for governmental entities. These requirements require governmental entities to independently report financial information that is materially correct, limiting the auditor’s ability to assist with certain year-end closing procedures. It is common that town’s without such capabilities engage a separate write-up accountant to perform these duties, or report on a basis with which the Town is capable of reporting financial information materially correct.

Condition: The amount of non-attest services required by the Town is substantial, and is considered a threat to auditor independence as described in the Yellow Book. The Town needs to assess the overall accounting and financial reporting requirements that the City is responsible for, and evaluate the amount of non-attest service the City will require, according to policy, of the auditor in their annual audit engagement.

Context: Current audit procedures required significant audit adjustments, and were a threat to the independence of the auditor. The Town has been advised of the independence requirements of the *Governmental Auditing Standards (the Yellowbook)* and has taken action to employ an outside accounting professional to assist in complying with these requirements.

Effect: Financial information may be materially misstated or the external auditor may not be independent in future engagements.

Cause: The Town does not have the staff to report on a full accrual basis of accounting but, with the assistance of its outside accounting professional, the Town is addressing such issues in the Town’s annual close-out procedures.

Recommendation: The Town should implement an action plan, with their current outside accounting professional and the current auditor to address the issues as previously described.

Corrective Action Update: See current year finding 2014-1 Previous Audit Findings

As reported in fiscal 2013:

2013-2 Accounting Policies, Compliance with Statues

Criteria or specific requirement: As a municipal entity, the Town is governed by Oklahoma Statues.

Condition: The Town is not in compliance with Statues governing the incurrence of debt. Oklahoma municipalities cannot encumber any general fund assets for more than one fiscal period, unless approved by a vote of the citizens of that community.

Context: The Town has had numerous loans in violation of State Statues.

Effect: The members of the governing body can be held responsible for any outstanding obligations. The Town may get reprimanded by the State Auditor, and be required to comply with additional oversight by the State.

Cause: The Town Council does not under Oklahoma Statues in relation to the Town's municipal operations.

Recommendation: The Town should implement an action plan, to require all Town Council and management be educated regarding statutory requirements.

Corrective Action Update: The appropriate accounting policies were applied to ensure that the finding was addressed as recommended; however, the incurrence that originated last year was not applicable to this fiscal year. Therefore, we were unable to audit the prior year finding for corrective action.